July 20, 2026

<u>Via Electronic Mail</u>

Aisha Collier
Assistant Clerk of Council
Room 1E09, City Hall
1300 Perdido St
New Orleans, LA 70112

Re: Docket No. UD-24-02

Dear Ms. Collier,

Finance New Orleans respectfully submits the attached filing in docket **UD-24-02** pertaining to the City's **Distributed Energy Resource Program**.

Please do not hesitate to reach out with any questions related to this filing.

Sincerely,

Annie Clark
Finance New Orleans

Finance New Orleans supports the expansion of distributed energy resources and battery storage as critical tools to strengthen community resilience, reduce energy burden, improve grid reliability, and protect residents and businesses during outages and extreme weather events. As the City's green financing institution, FNO cares deeply about the success of the proposed VPP program because it has the potential to expand resilience infrastructure across New Orleans at meaningful scale. The question before the Council is not whether battery storage creates value, but whether the program is structured to achieve meaningful deployment and long-term success. The ultimate measure of success should be whether the program delivers meaningful resilience and grid benefits at a scale that justifies public investment. Achieving those outcomes will require a framework that enables participation, attracts investment, and supports sustained deployment across the city.

Financeability Matters

From a financing perspective, the most important question before the Council is whether this program creates projects that can actually attract capital.

A fundamental principle of project finance is simple: lenders finance predictable cash flow. While both ENO's and TNO's proposals recognize the importance of upfront incentives and ongoing performance payments, the critical issue is whether those incentives are sufficient to close affordability gaps and create projects that are attractive to customers, lenders, and investors.

From a project finance perspective, upfront capital is the most catalytic dollar available to this program. Unlike ongoing incentive payments (which the Council has expressly reserved the right to evaluate and adjust based on program performance), upfront incentives carry no duration or regulatory reopener risk once disbursed, making them more readily bankable and more valuable, dollar for dollar, to lenders and investors evaluating a project. Upfront incentives also do the most work in shrinking a project's remaining funding gap to a size that complementary capital sources (including gap financing, credit enhancement, and other tools discussed below) can realistically close. A program that prioritizes durable, well-sized upfront support will convert more marginal projects into financeable ones, particularly for commercial and resilience-facility installations where the remaining funding gap is currently the primary barrier to deployment.

For commercial and community-serving facilities, project economics matter. If upfront costs remain too high or payback periods extend beyond a practical investment horizon, participation and deployment will be limited regardless of the benefits battery storage can provide.

The analysis submitted by Together New Orleans raises an important concern. Under ENO's proposed structure, many commercial projects would still face funding gaps exceeding $50,000 per site and projected payback periods of more than 30 years—economics that are unlikely to support financing or deployment at scale.

Rather than focusing on any particular incentive amount, the Council should focus on whether the program creates projects that can realistically attract investment and achieve meaningful participation. Incentives and compensation should be calibrated to produce projects that can be deployed, financed, and sustained over time while delivering the resilience and grid benefits the Council seeks to achieve.

For Finance New Orleans, this is ultimately a resilience and deployment question. If the economics do not work for businesses, nonprofits, schools, health centers, and other community-serving facilities, the City will struggle to build the network of distributed resilience assets needed to deliver meaningful community and grid benefits. The goal should be a program structure that supports deployment at scale and creates a sustainable market for resilience investment across New Orleans.

Align Compensation with System Value

FNO also encourages the Council to consider whether the proposed compensation structure appropriately rewards the value provided to the grid. As TNO notes, annual compensation caps may limit incentives for larger projects even when they deliver substantially greater dispatchable capacity and resilience benefits. To support efficient deployment, compensation should reflect both performance and the value delivered to the grid. FNO therefore supports consideration of performance-based compensation structures and reevaluation of commercial annual caps that may unintentionally discourage larger, high-impact installations.

Prioritize Commercial Resilience Facilities

Finance New Orleans believes that community-serving resilience facilities deserve particular attention because they provide benefits that extend well beyond any single customer. Facilities such as health centers, pharmacies, cooling centers, shelters, schools, food distribution sites, and community centers can serve as critical resources during emergencies while also providing grid value through participation in a VPP. A single installation can strengthen community resilience, support essential services, and provide benefits that extend well beyond the host facility.

The Council should also ensure that interconnection study and upgrade requirements do not become barriers to participation. Unpredictable interconnection costs can undermine otherwise viable projects and prevent deployment at facilities that provide significant public value during emergencies. Experience from Connecticut's distributed energy and resilience programs demonstrates that interconnection costs can become a significant obstacle to deployment, particularly for nonprofit and community-serving institutions.

Adaptive Program Management

Finally, Finance New Orleans believes the program should be designed to adapt as the market develops.

The Council has already established participation benchmarks, deployment targets, and reporting requirements. Periodic reviews should be used to recalibrate incentive levels, compensation structures, and customer-segment allocations based on actual program performance.

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No stakeholder can perfectly predict customer adoption or market response. If participation falls short of expectations—or if demand exceeds expectations in certain customer segments—the Council should have the flexibility to adjust program parameters to improve deployment and ensure public resources achieve their intended resilience outcomes.

Successful clean energy financing programs are rarely static. Experience from Connecticut Green Bank-supported deployments underscores the importance of regularly evaluating program performance and recalibrating incentives when market participation does not align with original assumptions. Building this flexibility into the program from the outset will increase the likelihood that New Orleans achieves its long-term resilience, equity, and deployment objectives.

Conclusion

As the City's green financing institution, Finance New Orleans is prepared to support this program with more than comment. FNO is exploring complementary financing tools (including gap financing and credit enhancement products) that could help close remaining affordability gaps for commercial and community-serving projects, regardless of where the Council ultimately sets incentive levels. The more the incentive structure narrows this gap upfront, the more effectively FNO's tools can close what remains, converting marginal projects into ones that can attract private capital at scale. FNO welcomes the opportunity to work with the Council, ENO, and other stakeholders to identify how these tools might be deployed alongside the DER Program to help New Orleans achieve deployment at scale.

Finance New Orleans encourages the Council to adopt a VPP framework that:

- Creates predictable revenue streams that support project financing;
- Calibrates incentives and compensation to support financeable projects and sustained deployment;
- Aligns compensation with actual system value and delivered performance;
- Supports efficient commercial-scale and community-serving installations;
- Prioritizes resilience facilities that provide critical services during outages;
- Addresses interconnection barriers that could impede deployment; and
- Maintains flexibility to recalibrate program design based on actual performance.

New Orleans has an opportunity to create more than a battery incentive program. It can establish a scalable resilience platform that strengthens neighborhoods, supports critical community institutions, improves grid reliability, and delivers lasting benefits to residents and businesses. Finance New Orleans encourages the Council to adopt a framework that maximizes resilience, supports deployment at scale, and creates the foundation for continued investment in distributed energy resources across the city.

Before
The Council of the City of New Orleans

Re: Advisors' Report on VPP

(Docket No. UD-24-02)

CERTIFICATE OF SERVICE

I do hereby certify that I have, this July 20, 2026, served the foregoing correspondence upon all other known parties of this proceeding by electronic mail.

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Annie Clark
Finance New Orleans